

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS &  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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CITY OF OELWEIN

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>(Before January 2010)</b>		
Larry Murphy	Mayor	January 2012
Duane Brandt	Mayor Pro Tem	January 2012
Mike Kerns	Council Member	January 2010
John Gosse	Council Member	January 2010
(Resigned 2/2010)		
Kevin Stickel(Replaced John Gosse)		
Paul Ryan	Council Member	January 2012
Rex Erickson	Council Member	January 2010
Nathan Lein	Council Member	January 2012
Steven H. Kendall	City Administrator/Clerk/ Treasurer	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite
<b>(After January 2010)</b>		
Larry Murphy	Mayor	January 2012
Duane Brandt	Mayor Pro Tem	January 2012
Chris Jensen	Council Member	January 2014
John Gosse	Council Member	January 2014
(Resigned 2/2010)		
Kevin Stickel(Replaced John Gosse)		
Paul Ryan	Council Member	January 2012
Rex Erickson	Council Member	January 2014
Nathan Lein	Council Member	January 2012
Steven H. Kendall	City Administrator/Clerk/ Treasurer	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639  
Oelwein, IA 50662  
(319)283-1173  
Fax (319)283-2799

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oelwein's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated December 3, 2010 on our consideration of the City of Oelwein's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report are an integral part of an

audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages I through VII and 25 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oelwein's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

December 3, 2010

## **CITY OF OELWEIN**

20 2<sup>nd</sup> Ave SW, Oelwein, IA 50662  
319-283-5440 Fax 319-283-4032

Larry Murphy, Mayor  
Duane Brandt, Mayor Pro Tem  
Chris Jensen, Council At-Large  
Kevin Stickel, 2<sup>nd</sup> Ward Council  
Nathan Lein, 3<sup>rd</sup> Ward Council  
Rex Ericson, 4<sup>th</sup> Ward Council  
Paul Ryan, Council At-Large

Steven Kendall, City Administrator  
Barbara Rigdon, Deputy City Clerk  
Ron Van Veldhuizen, City Attorney  
Jeremy Logan, Police Chief  
Wally Rundle, Fire Chief  
Victor Kane, Utilities Superintendent  
Tom Stewart, Street Superintendent  
Susan Macken, Librarian  
Durango Steggall, Park Superintendent

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements that begin on page 4.

#### **FINANCIAL HIGHLIGHTS**

The City's total expenses exceeded total revenue by \$1,065,111 for the year, resulting in a decrease in total net assets of approximately 23% over the previous year.

The City acting as the lead agency received a Homeland Security grant for the 15 county LEIN region, providing equipment, salaries and expenses in law enforcement.

The City continued to administer a Neighborhood Stabilization grant in the amount of \$1,000,000 which was awarded to the city in 2008 for the purchase and redevelopment of foreclosed upon properties to be either demolished and either be rebuilt upon or vacant lots sold to area low-to-moderate income households.

Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.40% of earnable compensation. Employer (City) contribution for this audit period (2009-2010) was 17.00% of compensation. The employer rate for FY 10-11 will be 19.90%. This rate will continue to climb as State mandated enhanced pension benefits become effective.

Most other regular City employees are members of Iowa Public Employees Retirement System (IPERS). The City's portion of IPERS was 6.65% for regular employees. IPERS employees contribute 4.30% of earnable compensation.

The water rate minimum increased \$1.00 and the per 100 cubic foot consumption rate increased \$0.60 effective June 1, 2010. Sewer rates increased \$1.00/minimum and \$0.80 per 100 cubic

foot effective June 1, 2010. Additional increases in water and sewer rates will be necessary to fund continued mandated major improvements to the system.

The City's General Fund ended the year with a fund balance of \$381,022. This is a decrease of \$29,362 (7%) since the close of last fiscal year even though \$100,000 was transferred into this fund from Municipal Trust. The recommended General Fund balance should be at least 25% of the General Fund budget. During this past fiscal year 25% of the General Fund budget was \$444,695. Therefore, the General Fund was \$63,673 below the recommended minimum figure even after the one-time transfer.

## **USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

### **Report Components**

This annual report consists of the following parts:

#### **Financial Statements**

#### **Notes to the Financial Statements**

#### **Required Supplementary Information**

#### **Other Supplementary Information**

### **Basis of Accounting**

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

### **Reporting the City's Financial Activities**

#### *Government-wide Financial Statement*

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- 1 – Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

### **Government-Wide Financial Analysis**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$4,200,711 to \$3,239,087. The analysis that follows focuses on the changes in cash balances for governmental activities.



Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts and transfers		
Program receipts:		
Charge for service	\$ 126	132
Operating grants and contributions	1,353	1,017
Capital grants and contributions	98	421
General receipts:		
Property tax	1,924	1,848
Local option sales tax	505	531
Tax Increment taxes	152	150
Investment Earnings	183	138
Other general receipts	656	772
Total Receipts	4,997	5,009
Transfers, net	713	2,299
Total receipts and transfers	5,710	7,308
Disbursements:		
Public safety	1,613	1,471
Public works	700	655
Health and social services	26	22
Culture and recreation	710	664
Community and economic development	537	744
General government	327	347
Debt service	1,415	741
Capital projects	807	762
Enterprise	537	16
Total disbursements	6,672	5,422
Increase (decrease) in cash basis net assets	(962)	(790)
Cash basis net assets beginning of year	4,201	3,104
Cash basis net assets end of year	\$ 3,239	2,314

The City's total receipts for governmental activities decreased by 22 %, or \$1,598,000. The total cost of all programs and services increased by approximately \$1,250,000, or 23% due to the refunding of the 2003 bond sale into a lower interest rate. The significant decrease in receipts was primarily the result of the 2009 \$1,190,000 bond sale transfers.

Because the City is at the maximum General Fund rate allowed (8.10) employee benefits are paid from the Trust and Agency levy. The Trust and Agency levy increased \$64,314 from \$640,160 in fiscal year 2009 to \$704,474 in fiscal year 2010.

The cost of all governmental activities this year was \$6,672,863 compared to \$5,422,297 last year. However, as shown in the Statement of Activities and Net Assets on pages 5 and 6, the

amount taxpayers ultimately financed for these activities was approximately \$3,837,204. This was possible because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling approximately \$1,872,316. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2010 to \$4,997,397 from \$5,008,660 in 2009.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2009	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 685	581
Sewer	1,150	1,125
Landfill	218	216
Recycling	82	80
Williams Center	105	120
Fuel Fund	94	112
General receipts:		
Unrestricted interest on investments	12	51
Bond proceeds	0	0
Other general receipts	24	3
Total receipts	2,370	2,288
Disbursements:		
Water	533	522
Sewer	508	558
Landfill	220	220
Recycling	83	82
Fuel fund	99	95
Wellness Center	175	179
Capital Projects	172	9
Debt Service	621	623
Transfers	62	833
Total disbursements and transfers	2,473	3,121
Increase (decrease) in cash balance	( 103)	( 833)
Cash basis net assets beginning of year	497	1,330
Cash basis net assets end of year	\$ 394	497

Total business type activities receipts for the fiscal year were \$2,370,000 compared to \$2,288,000 last year. Therefore disbursements and transfers for the fiscal year decreased by \$648,000.

### Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined

balance of \$3,239,087, a decrease of \$962,442 from last year's total of \$4,200,711. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$15,094 from the prior year to \$395,290.
- The Debt Service Fund cash balance decreased by \$73,451 to \$213,788 during the fiscal year.

### Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased by \$121,930 to \$128,150 compared to \$6,220 in 2009.
- The Sewer Fund cash balance decreased by \$65,288 to \$136,523.

### Budgetary Highlights

The City amended its budget in May. This was necessary because of additional disbursements and receipts in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

### Debt Administration

At June 30, 2010 the City had approximately \$4,745,000 in general obligation bond debt and \$7,966,000 in other long-term debt, for a total of \$12,711,000 last fiscal year as shows below.

Outstanding Debt at Year End (Expressed in Thousands)		
	June 30, 2010	2009
General obligation bonds	\$ 4,745	5,090
Urban renewal tax increment financing revenue bonds	0	29
Total	\$ 4,745	5,119
Sewer Revenue Notes	7,555	7,919
CEBA Loan Agreement	0	148
Economic Development Loan	84	113
Library Pledge Loan	0	172
Intermediary Relending Program	327	0
Total	\$ 12,711	13,471

Debt decreased during the 2010 fiscal year. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,119,000 is below its constitutional debt limit of \$10,078,804.

## **Economic Factors and Next Year's Budget and Rates**

The City Council considered many factors when setting the fiscal year 2011 budget, tax rates and fees that will be charged for various City activities.

Expenditures financed from the 2009 Bond Sale will continue next fiscal year. The City Council has programmed to transfer \$150,000 towards 2<sup>nd</sup> Street SE Curb and Gutter, and \$100,000 towards paving 10<sup>th</sup> Street SE.

The City will continue construction on major water and sewer system upgrades during the next fiscal year.

## **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steven Kendall, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

## FINANCIAL STATEMENTS

## City of Oelwein

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 1,612,823	71,722	363,688	2,477
Public works	699,846	59,872	622,896	365,423
Health and social services	26,342	-	-	-
Culture and recreation	709,608	174,026	187,394	-
Community and economic development	537,523	-	10,118	14,700
General government	327,414	-	-	-
Debt service	1,415,055	-	-	-
Capital projects	807,293	-	-	-
Enterprise	536,959	-	-	-
Total governmental activities	6,672,863	305,620	1,184,096	382,600
Business type activities:				
Water	511,774	676,664	-	-
Sewer	507,888	1,150,194	-	-
Sewer Bond Sinking	621,055	-	-	-
Nonmajor business type funds	770,574	531,744	-	-
Total business type activities	2,411,291	2,358,602	-	-
Total	\$ 9,084,154	2,664,222	1,184,096	382,600

**General Receipts:**

Property tax levied for:	
General purposes	
Debt service	
Tax increment financing	
Special assessments	
Local option sales tax	
Hotel/Motel Tax	
Unrestricted interest	
Miscellaneous	
Bond Proceeds	
USDA Promissory Note	
Rents	
Transfers	
Total general receipts and transfers	

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:	
Lein Grant	
I Jobs	
Trails-Platts/Wings	
Pave 7th Street	
Cemetery Perpetual Care	
IRP Relending Program	
Unrestricted	

**Total cash basis net assets**

See notes to financial statements

EXHIBIT A

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(1,174,936)	-	(1,174,936)
348,345	-	348,345
(26,342)	-	(26,342)
(348,188)	-	(348,188)
(512,705)	-	(512,705)
(327,414)	-	(327,414)
(1,415,055)	-	(1,415,055)
(807,293)	-	(807,293)
(536,959)	-	(536,959)
(4,800,547)	-	(4,800,547)
-	164,890	164,890
-	642,306	642,306
-	(621,055)	(621,055)
-	(238,830)	(238,830)
-	(52,689)	(52,689)
(4,800,547)	(52,689)	(4,853,236)
1,649,805	-	1,649,805
223,097	-	223,097
152,164	-	152,164
121,699	-	121,699
504,753	-	504,753
51,454	-	51,454
84,998	11,843	96,841
235,533	-	235,533
620,000	-	620,000
31,200	-	31,200
101,579	-	101,579
61,823	(61,823)	-
3,838,105	(49,980)	3,788,125
(962,442)	(102,669)	(1,065,111)
4,201,529	497,050	4,698,579
\$ 3,239,087	394,381	3,633,468
\$ 4,429	-	4,429
29,229	-	29,229
39,912	-	39,912
29,436	91,603	121,039
257,998	-	257,998
146,121	-	146,121
2,731,962	302,778	3,034,740
\$ 3,239,087	394,381	3,633,468

## City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2010

	General	Special Revenue		
		#64-Employee Benefits	#66-Road Use Tax	#74-Library Bequests
Receipts:				
Property tax	\$ 902,358	704,474	-	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	82,745	-	-	-
Use of money and property	56,538	1,455	-	10,897
Intergovernmental	86,518	-	593,667	-
Charges for service	157,251	-	-	-
Special assessments	-	-	-	-
Miscellaneous	123,332	9,208	-	-
Total receipts	1,408,742	715,137	593,667	10,897
Disbursements:				
Operating:				
Public safety	918,726	386,714	-	-
Public works	55,508	45,864	598,474	-
Health and social services	-	-	-	-
Culture and recreation	526,152	104,538	-	38,214
Community and economic development	-	1,204	-	-
General government	202,697	124,717	-	-
Debt service	-	-	-	-
Capital projects	13,945	553	-	-
Enterprise	-	63	-	-
Total disbursements	1,717,028	663,653	598,474	38,214
Excess of receipts over disbursements	(308,286)	51,484	(4,807)	(27,317)
Other financing sources (uses):				
IRP Loan Proceeds	-	-	-	-
Bond Proceeds	-	-	-	-
Operating transfers in	391,272	22,493	-	-
Operating transfers out	(98,080)	-	(46,165)	-
Total other financing sources (uses)	293,192	22,493	(46,165)	-
Net change in cash balances	(15,094)	73,977	(50,972)	(27,317)
Cash balances beginning of year	410,384	115,076	172,242	440,136
Cash balances end of year	\$ 395,290	189,053	121,270	412,819
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved				
General fund	395,290	-	-	-
Special revenue funds	-	189,053	121,270	412,819
Capital projects	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 395,290	189,053	121,270	412,819

See notes to financial statements



#63 Debt Service	Capital Projects		Nonmajor Governmental Funds	Total
	#75-Economic Development	#49-2010 Bond Sale		
223,097	-	-	94,427	1,924,356
-	3,088	-	149,076	152,164
-	-	-	504,753	504,753
-	-	-	-	82,745
4,100	60,354	14,601	34,778	182,723
-	-	-	770,849	1,451,034
-	-	-	-	157,251
-	-	-	125,985	125,985
-	26,817	-	257,029	416,386
227,197	90,259	14,601	1,936,897	4,997,397
-	-	-	307,383	1,612,823
-	-	-	-	699,846
-	-	-	26,342	26,342
-	-	-	40,704	709,608
-	385,814	-	150,505	537,523
-	-	-	-	327,414
1,162,796	-	-	252,259	1,415,055
-	-	25,716	767,079	807,293
-	-	-	536,896	536,959
1,162,796	385,814	25,716	2,081,168	6,672,863
(935,599)	(295,555)	(11,115)	(144,271)	(1,675,466)
-	-	-	31,200	31,200
-	-	620,000	-	620,000
862,148	364,676	-	553,961	2,194,550
-	(71,044)	(580,295)	(1,337,142)	(2,132,726)
862,148	293,632	39,705	(751,981)	713,024
(73,451)	(1,923)	28,590	(896,252)	(962,442)
287,239	504,316	-	2,272,136	4,201,529
213,788	502,393	28,590	1,375,884	3,239,087
213,788	-	-	10,915	224,703
-	-	-	-	395,290
-	-	-	625,213	1,348,355
-	502,393	28,590	481,758	1,012,741
-	-	-	257,998	257,998
213,788	502,393	28,590	1,375,884	3,239,087

City of Oelwein

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2010

<b>Total governmental funds cash balances (page 8)</b>	<b>\$ 3,239,087</b>
--	---------------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Cash basis net assets of governmental activities (page 8)</b>
--

<u><u>\$ 3,239,087</u></u>
----------------------------

<b>Net change in cash balances (page 8)</b>
---

<b>\$ (962,442)</b>
---------------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Change in cash basis net assets of governmental activities (page 8)</b>
--

<u><u>\$ (962,442)</u></u>
----------------------------

See notes to financial statements

## City of Oelwein

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise Funds				
	#61	#67	#90		
	Water	Sewer	Sewer Bond Sinking	Nonmajor	Total
Operating receipts:					
Intergovernmental	-	-	-	7,674	7,674
Charges for service	628,916	1,113,732	-	495,333	2,237,981
Miscellaneous	47,748	36,462	-	28,737	112,947
Total operating receipts	676,664	1,150,194	-	531,744	2,358,602
Operating disbursements:					
Business type activities	511,774	507,888		770,574	1,790,236
Culture & Recreation	-	-		-	-
Debt service:					
Principal	-	-	364,000	-	364,000
Interest	-	-	237,570	-	237,570
Miscellaneous	-	-	19,485	-	19,485
Total operating disbursements	511,774	507,888	621,055	770,574	2,411,291
Excess (deficiency) of operating receipts over (under) operating disbursements	164,890	642,306	(621,055)	(238,830)	(52,689)
Non-operating receipts (disbursements):					
Interest on Investments	1,307	2,736	4,623	3,177	11,843
Total non-operating receipts (disbursements)	1,307	2,736	4,623	3,177	11,843
Excess (deficiency) of receipts over (under) disbursements	166,197	645,042	(616,432)	(235,653)	(40,846)
Operating transfers in	61,674	-	621,730	71,044	754,448
Operating transfers out	(105,941)	(710,330)	-	-	(816,271)
Net transfers	(44,267)	(710,330)	621,730	71,044	(61,823)
Net change in cash balances	121,930	(65,288)	5,298	(164,609)	(102,669)
Cash balances beginning of year	6,220	201,811	151,114	137,905	497,050
Cash balances end of year	\$ 128,150	136,523	156,412	(26,704)	394,381
<b>Cash Basis Fund Balances</b>					
Reserved	\$ -	-	156,412	49,281	205,693
Unreserved	128,150	136,523	-	(75,985)	188,688
Total cash basis fund balances	\$ 128,150	136,523	156,412	(26,704)	394,381

See notes to financial statements

SCHEDULE E

City of Oelwein

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2010

<b>Total enterprise funds cash balances (page 10)</b>	\$ 394,381
---	------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Cash basis net assets of business type activities (page 6)</b>
---

\$ 394,381

<b>Net change in cash balances (page 10)</b>
--

\$ (102,669)

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

<b>Change in cash basis net assets of business type activities (page 6)</b>
---

\$ (102,669)

See notes to financial statements

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oelwein has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board; Fayette County Homeland Security/Emergency Management Commission; Fayette County Compensation Board; Fayette County E911; the Fayette County Local Emergency Planning Committee; Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid, Upper Explorerland Regional Planning Commission, Fayette County Firemen's Association, Buchanan County Firemen's Association, Iowa Firemen's Association, Iowa Fire Chief's Association, Iowa Arson Investigators Association, International Fire Chief's Association, Oelwein Chamber and Area Development, Northeast Iowa City Managers, Northeast Iowa Regional League, Iowa League of Cities, Iowa City Management Association, Iowa Water Pollution Control Association, Northeast Iowa Clerks Association, Iowa Municipal Finance Officers Association, Fayette County Library

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2010

Jointly Governed Organizations (continued)

Association, American Public Works Association, Iowa Chiefs of Police & Peace Officers Association; International Association of Chiefs of Police (IACP); Iowa Investigator Association; Iowa Crime Prevention Association; Governors Inoperability Board; Iowa Association of Municipal Utilities (IAMU); Iowa Rural Water Association; Iowa Municipal Workers Compensation Association (IMWCA); Trees Forever; National Arbor Day Foundation; Iowa Concrete Association; Iowa Asphalt Association, National Swimming Pool Association, Law Enforcement Intelligence Network, and Buchanan-Benton-Delaware-Fayette-Oelwein-Independence Law Enforcement Rural Area Interdiction Detail (RAID) Multi-Jurisdictional Narcotics Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2010

B. Basis of Presentation (continued)

as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

The Road Use Tax Funds is used to account for receipt and disbursements of Road Use Tax Funds from the State of Iowa.

The Library Bequest Fund is used to account for receipts and disbursements of funds bequested to the Library.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The Economic Development Fund is used to account for Community and Economic Development projects.

The Bond Sale Fund is used to account for the 2010 bond sale.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Bond Sinking Fund is used to account for payments on the sewer bond debt.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2010

C. Measurement Focus and Basis of Accounting

The City of Oelwein maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010 disbursements exceeded the amounts budgeted in governmental activities – the Debt Service program.

2. Cash and Pooled Investments

The City's deposits at June 30, 2010, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2010.



## CITY OF OELWEIN

## Notes to Financial Statements

June 30, 2010

3. Bonded Indebtedness

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Bond		Totals	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	350,000	163,170	375,000	226,800	715,532	390,276
2012	300,000	155,945	386,000	215,550	691,000	371,495
2013	450,000	148,175	398,000	192,200	858,000	340,375
2014	365,000	135,205	410,000	179,730	775,000	314,935
2015	545,000	124,625	422,000	179,730	967,000	304,355
2016-2020	2,570,000	311,016	2,304,000	640,920	4,874,000	951,936
2021-2025	165,000	6,600	2,676,000	333,180	2,841,000	339,780
2026-2030	-	-	584,000	17,520	584,000	17,520
Tot.	<u>\$4,745,000</u>	<u>1,033,861</u>	<u>7,555,000</u>	<u>2,009,700</u>	<u>12,300,000</u>	<u>3,043,561</u>

On December 23, 1998, the City issued \$221,000 in Urban Renewal Tax Increment Revenue Bond with Union Planters Bank (now Regions) of Oelwein, Iowa. Interest rate is 6.25%. Interest only to be paid December 1, 1999 and June 1, 2000. Thereafter, semi-annual installments of principal and interest of \$15,845 on December 1 and June 1 until paid. Bond was issued to defray a portion of the costs of carrying out an urban renewal project in the Oelwein Industrial Park Urban Renewal Area of the City, consisting of an economic development grant to Bertch Cabinet Mfg, Inc. This note was paid during the year ended June 30, 2010.

General Corporate Purpose Loan Agreement dated May 28, 2003. The loan matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes.

Essential Corporate Purpose Loan Agreement dated May 28, 2003. The loan agreement matures on June 1 of each year, starting June 1, 2004, and interest is paid semiannually, commencing December 1, 2003. Interest rates are from 1.50% to 4.00%. The notes maturing in each of the years 2011 to 2014, inclusive, are subject to redemption prior to maturity at the times and on the terms specified in the notes. The combined General Corporate Purpose Loan and the Essential Corporate Purpose Loan were paid during the year ended June 30, 2010.

On November 30, 2005, the City issued \$3,995,000 in General Obligation Corporate Purpose and Refunding Bonds, Series 2005A. The loan matures on June 1 of each year, starting June 1, 2006. Interest is payable June 1, 2006 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2006 and annually thereafter on

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

the first day of June each year. The City has the right to repay part or all of the Bonds, maturing in the years 2014 to 2019. Prior to and in any order of maturity on June 1, 2012 or any date thereafter upon the terms of par and accrued interest. Balance at June 30, 2010 was \$2,955,000.

In May, 2009, the City issued \$1,190,000 in General Obligation corporate Purpose bonds, Series 2009 for the purpose of "...constructing street, streetscape, sanitary sewer, airport and park improvements, acquiring equipment for the police, parks and general municipal departments..." and for "...paying the cost, to the extent, of constructing an addition to the police department building and improvements at the municipal swimming pool...". The loan matures on June 1 of each year, starting June 1, 2010. Interest is payable December 1, 2009 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2010 and annually thereafter on the first day of June each year; except for June 1, 2012, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2013, is subject to mandatory redemption (by lot, as selected by Registrar) on June 1 in each of the years 2012 and 2013..." and June 1, 2014, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2015, is subject to mandatory redemption (by lot, as selected by the Registrar) on June 1 in each of the years 2014 and 2015...". Interest rates are from 1.25% to 4.0%. City has reserved the right to prepay part or all of the Bonds maturing in each of the years 2016 to 2021. The balance at June 30, 2010 was \$1,170,000.

In April 15, 2010 the City issued \$620,000 in General Obligation corporate purpose and refunding bonds, Series 2010A for the purpose of "...paying the costs, to that extent, of acquiring equipment for the police department and cemetery and refunding the outstanding balance of the City's General Obligation Corporate Purpose and Refunding Notes, dated June 1, 2003." The loan matures on June 1 in each of the years commencing December 1, 2010. Interest is payable December 1, 2010 and semiannually thereafter on the first day of June and December of each year. Principal is payable annually each June 1 beginning June 1, 2011. Last payment to be June 1, 2015. Bonds are not subject to redemption prior to maturity.

Revenue Note:

In order to establish a Municipal Sanitary Sewer System, the City has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$8,954,000. Sewer Revenue Bonds will be issued bablished a Sewer Revenue Bond Sinking Fund, from which is paid the principal and interest on this debt. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any interest payment date after the ten year anniversary of the Agreement. Any optional redemption may be made from any funds regardless of source. The balance on this debt at June 30, 2010 was \$7,555,000.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

4. Other Notes Payable

There is a note payable to Fidelity Bank of Oelwein, Iowa with a balance of \$172,000. Original amount \$700,000. Original date May 18, 2006. Interest rate 4%. Due date June 1, 2010. Purpose of the loan was the new library. This debt was paid during the year ended June 30, 2010.

There is a line of credit for \$600,000 with Fidelity Bank of Oelwein, Iowa. Original date January 9, 2004. Interest rate is Wall Street Journal Prime minus .50%. Interest rate at June 30, 2010 was 5.25%. Due date January 10, 2013. Purpose of the note was for the maintenance of the Donaldson Building. Note is secured by this building. The balance at June 30, 2010 was \$84,511.

5. U.S.D.A Promissory Note

There is a promissory note with the USDA for \$500,000. As of June 30, 2010 the City had drawn down \$326,800 on this note. The City is to pay interest only on this note April 25<sup>th</sup> of the years 2009, 2010 and 2011. Commencing April 25, 2012 and thereafter on each April 25<sup>th</sup>. The City is to pay principal and interest in an amount to fully amortize the loan in 30 years from the date of the note. Prepayments on the promissory note may be made. During the year ended the City paid \$3,078 in interest on the note to USDA.

6. Sale of Donaldson Building

Sector 5 Technologies, Inc. has entered into a real estate contract dated September 11, 2008 with the City of Oelwein for the purchase of the Donaldson building. The purchase price was \$1,520,000. The City recognized a credit of \$750,000 in exchange for Sector 5's meeting several performance criteria as stated in the contract. The balance of \$770,000 due pursuant to terms of the real estate contract shall be paid in annual installments with a 0% interest rate as long as principal is paid when due. Any principal not paid when due shall draw interest at 7%. No installment payment due on the first anniversary, September 11, 2009. On the second anniversary, September 11, 2010 principal in the amount of \$70,000 plus interest if any is due. Installment payments of \$175,000 plus interest is due each anniversary thereafter, and a final balloon payment on the sixth anniversary. City agrees to grant Sector 5 a credit for each FTE Qualifying Project job meeting specific criteria. At June 30, 2010 Sector 5 Technologies, Inc. owed \$770,000.

In addition Sector 5 has agreed to pay the City for past expenses in the amount of \$165,000. In payment of this \$165,000 Sector 5 assigned rental payments from Wilbert. The Wilbert lease terminated March 15, 2009. At that time Wilbert had paid \$35,010 on the \$165,000 leaving a balance of

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

\$129,990. Sector 5 then assigned monthly rental payments of \$3,099 from East Penn to the city up to \$152,240, the prior balance of \$129,990 plus \$22,250 in improvements. At June 30, 2010 the balance owed to the City was \$99,553.

The September 11, 2010 payment was not made and the contract has been forefited.

7. Pension and Retirement Benefits

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate may not be less than 17%, actual was 17%, of earnable compensation. Contribution requirements are established by State statute. The City's contribution to the Plan for the years ended June 30, 2010, 2009 and 2008 were \$98,527, \$104,574 and \$134,627, respectively, which met the required minimum contribution for each year.

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual salary and the City is required to contribute 6.65% of covered salary.

Certain employees in special risk occupations contribute an actuarially determined contribution rate. Contributions requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$78,768, \$72,173, and \$66,890 respectively, equal to the required contributions for each year.

Iowa City Management Association - The City contributes to the Iowa City Management Association Retirement Corporation (ICMA-RC) on behalf of its

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes the IPERS rate plus three percent. The City's contributions to ICMA-RC for the years ended June 30, 2010 and 2009 were \$10,930 and \$8,440 respectively.

8. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 41 active members in the plan. There were no retired members in the plan at June 30, 2010. Participants must be 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under the age of 65 pay the same premium for the medical/prescription drug benefits as active employees. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$489 for single coverage and \$1,226 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$469,262 and plan members eligible for benefits contributed \$34,432 to the plan.

9. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$76,833. This liability has been computed based on rates of pay in effect at June 30, 2010.

Sick leave hours are accumulated for subsequent use. Sick leave is not payable upon termination, retirement or death. These accumulations are not recognized as expenditures by the City, until used or paid.

10. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2010.

11. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2010, \$298,456 was paid pursuant to the agreement.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

12. Deficit Fund Balances

Capital Project Funds — Airport Grant, Neighborhood Stabilization and Library Bond, and Proprietary Fund-Water Improvement had deficit balances at June 30, 2010, which the City considers temporary in nature.

13. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfers to	Transfers from	Amount
General	Business Type:	
	Water	20,000
	Sewer	20,000
	Special Revenue:	
	Lein	14,267
	Local Option Tax	152,268
	Road Use Tax	20,000
	Emergency	30,090
	James TIF	9,647
	Hotel/Motel Tax	25,000
	Municipal Trust	<u>100,000</u>
		<u>391,272</u>
Special Revenue:	Enterprise:	
Municipal Trust	Water	29,880
Police Remodeling	General	98,080
Trust and Agency	Special Revenue:	
	Lein	22,493
Lein	Lein 2008	<u>1,001</u>
		<u>151,454</u>
Capital Projects:	Special Revenue:	
Economic Development	Sales Tax	355,074
	Capital Projects:	
	Housing Grant	9,601
2005 Bond	2009 Bond	100,000
Paved 7 <sup>th</sup> Street	2009 Bond	175,000
2 <sup>nd</sup> Street Curb/Gutter	2009 Bond	<u>150,000</u>
		<u>789,676</u>

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

Debt Service

Debt Service

Special Revenue:

Downtown TIF 5,042

Road Use Tax 26,165

Special Assessments 125,985

Business Type:

Sewer 68,600

Water 56,061

Capital Projects:

Bond Sale 580,295

862,148

Business Type:

Water

Special Revenue

Bertch TIF 84

Industrial Prk TIF 61,590

61,674

Sewer Bond Sinking

Enterprise:

Sewer 621,730

Williams Center

Capital Projects:

Economic Development 69,000

Williams Ctr Reserve

Economic Development 2,044

Total Interfund Transfers

\$2,948,998

14. Risk Management

The City of Oelwein is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

15. Intermediary Relending Program Loan Agreement (IRP)

In April 2008, the City entered into a loan agreement with the United States Department of Agriculture (U.S.D.A.) for \$500,000 at 1% on the funds as they are dispersed. The loan is a thirty year loan starting April 25, 2008. In order to receive this loan the City had to commit 25% of the loan (\$125,000) to the I.R.P. The I.R.P. is to be used for any project which will create permanent employment diversification of the local economy or increase to the local tax base of the City of Oelwein.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

During the year ended June 30, 2010 the City loaned \$39,000 under the IRP program. The City had eight loans totaling \$408,500 under this program as of June 30, 2010. The City borrowed \$31,200 from the USDA, 80% of the \$39,000 loaned out during the year ended June 30, 2010. The City has now borrowed a total of \$326,800 for this program from the USDA.

16. COMMUNITY ECONOMIC BETTERMENT ACCOUNT (CEBA) LOAN

On March 16, 2009 the City received \$297,000 from the Iowa Department of Economic Development (IDED) to promote and assist economic growth through the development and expansion of the municipal and county tax base. In accordance with the agreement, the City loaned the \$297,000 to Sector 5 Technologies, Inc. The award consisted of a loan for \$148,500 with interest at 0% for five years, and a forgivable loan portion for \$148,500. Payments on the loan are \$2,475 per month, beginning July 1, 2009. Repayments on the loan are made directly to IDED by Sector 5. Therefore, the liability for this loan is not included in the Schedule of Indebtedness (Schedule 5).

17. TRANSFER OF LEIN FUNDS

The City expenses payments to the MFPRSI, a side fund insurance and for administration that are attributable to the Lein Grant thru various City Funds which are to be reimbursed by the Lein Grant. These reimbursements were not made from October 1, 2008 thru the end of the current audit period June 30, 2010. During the year ended June 30, 2008 \$750 should have been transferred from the Lein Grant to the Employee Benefit Fund. For the year ended June 30, 2009 \$10,487 should have been transferred to the Employee Benefit Fund and \$7,800 should have been transferred to the General Fund. For the fiscal year ended June 30, 2010 \$11,226 should have been transferred to the Employee Benefit Fund and \$6,467 should have been transferred to the General Fund. The result of the non-transfers is that the June 30, 2010 the Lein Grant Fund was overstated \$36,760, the Employee Benefit Fund was understated by \$22,493 and the General Fund was understated by \$14,267.

This audit report reflects the corrected balances for July 1, 2009 and June 30, 2010.



CITY OF OELWEIN

Notes to Financial Statement

June 30, 2010

18. Litigation

The City has been notified of six potential claims. The City has insurance coverage which will provide cost of defense and coverage for any established loss or judgment.

The City has also been notified of three additional claims which do not appear to be "grounded in law or fact." If a claim is made it will be submitted to the City's insurance company.

19. Subsequent Events

In September 2010 the City accepted an I-Jobs grant to partially fund the Sanitary Sewer and 1<sup>st</sup> Avenue Lift Station Project. In order to provide the additional financing for this project the City has authorized and approved a Loan and Disbursement Agreement, providing for the Issuance and Securing the payment of \$1,700,000 in Water Revenue Bonds.

The September 11, 2010 payment from Sector 5 on their purchase of the Donaldson building was not made. The contract has been forfeited.

REQUIRED SUPPLEMENTAL INFORMATION

City of Oelwein  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements and Changes in Balances-  
 Budgetary Comparison Schedule  
 All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,924,356	-
Tax increment financing collections	152,164	-
Other city tax	504,753	-
Licenses and permits	82,745	-
Use of money and property	182,723	11,843
Intergovernmental	1,451,034	16,555
Charges for services	157,251	2,237,981
Special assessments	125,985	-
Miscellaneous	416,386	104,066
Total Receipts	<u>4,997,397</u>	<u>2,370,445</u>
Disbursements:		
Public Safety	1,612,823	-
Public Works	699,846	-
Health and Social Services	26,342	-
Culture and Recreation	709,608	-
Community and Economic Development	537,523	-
General Geovernment	327,414	-
Debt Service	1,415,055	-
Capital Projects	807,293	-
Business type activities	536,959	2,411,291
Total Disbursements	<u>6,672,863</u>	<u>2,411,291</u>
Excess (deficiency) of receipts over (under) disbursements	(1,675,466)	(40,846)
Other financing sources (uses):	<u>713,024</u>	<u>(61,823)</u>
Net	(962,442)	(102,669)
Balance, beginning of year	<u>4,201,529</u>	<u>497,050</u>
Balance, end of year	<u>\$ 3,239,087</u>	<u>394,381</u>

See accompanying independent auditor's report

Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	1,924,356	1,823,173	1,823,173	101,183
-	152,164	150,850	150,850	1,314
-	504,753	543,467	543,467	(38,714)
-	82,745	80,320	80,320	2,425
-	194,566	177,990	177,990	16,576
-	1,467,589	2,088,340	2,405,248	(937,659)
-	2,395,232	2,497,075	2,497,075	(101,843)
-	125,985	111,809	130,809	(4,824)
-	520,452	509,095	740,488	(220,036)
-	7,367,842	7,982,119	8,549,420	(1,181,578)
-	1,612,823	1,648,205	1,674,005	61,182
-	699,846	741,080	741,080	41,234
-	26,342	23,000	32,000	5,658
-	709,608	751,375	769,442	59,834
-	537,523	570,210	782,214	244,691
-	327,414	369,340	369,340	41,926
-	1,415,055	768,903	1,348,903	(66,152)
-	807,293	1,815,032	2,589,932	1,782,639
-	2,948,250	5,500,371	5,652,946	2,704,696
-	9,084,154	12,187,516	13,959,862	4,875,708
-	(1,716,312)	(4,205,397)	(5,410,442)	3,694,130
-	651,201	2,711,700	2,852,175	(2,200,974)
-	(1,065,111)	(1,493,697)	(2,558,267)	1,493,156
-	4,698,579	3,693,194	3,693,194	1,005,385
-	3,633,468	2,199,497	1,134,927	2,498,541

City of Oelwein

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2010

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year the budget amendment increased budgeted revenues by \$707,776 and budgeted disbursements by \$1,772,346. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

## City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue	Capital Projects	Debt Service Special Assessments	Permanant Cemetary Perpetual Care	Total
<b>Receipts:</b>					
Property tax	\$ 94,427	-	-	-	94,427
TIF Collections	149,076	-	-	-	149,076
Other city tax	504,753	-	-	-	504,753
Use of money and property	16,896	12,991	966	3,925	34,778
Intergovernmental	345,468	425,381	-	-	770,849
Special assessments	-	-	125,985	-	125,985
Charges for services	-	-	-	-	-
Miscellaneous	96,350	160,679	-	-	257,029
<b>Total receipts</b>	<b>1,206,970</b>	<b>599,051</b>	<b>126,951</b>	<b>3,925</b>	<b>1,936,897</b>
<b>Disbursements:</b>					
Operating:					
Public safety	307,383	-	-	-	307,383
Public works	-	-	-	-	-
Health & Social Services	26,342	-	-	-	26,342
Culture and recreation	40,704	-	-	-	40,704
Community and economic devel.	40,200	110,305	-	-	150,505
General government	-	-	-	-	-
Debt service	73,379	178,880	-	-	252,259
Capital projects	-	767,079	-	-	767,079
Enterprise	-	536,896	-	-	536,896
<b>Total disbursements</b>	<b>488,008</b>	<b>1,593,160</b>	<b>-</b>	<b>-</b>	<b>2,081,168</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>718,962</b>	<b>(994,109)</b>	<b>126,951</b>	<b>3,925</b>	<b>(144,271)</b>
<b>Other financing sources:</b>					
IRP Loan Proceeds	31,200	-	-	-	31,200
Operating transfers in	128,961	425,000	-	-	553,961
Operating transfers out	(776,556)	(434,601)	(125,985)	-	(1,337,142)
<b>Net change in cash balances</b>	<b>102,567</b>	<b>(1,003,710)</b>	<b>966</b>	<b>3,925</b>	<b>(896,252)</b>
<b>Cash balances beginning of year</b>	<b>522,646</b>	<b>1,485,468</b>	<b>9,949</b>	<b>254,073</b>	<b>2,272,136</b>
<b>Cash balances end of year</b>	<b>\$ 625,213</b>	<b>481,758</b>	<b>10,915</b>	<b>257,998</b>	<b>1,375,884</b>
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	10,915	-	10,915
Unreserved:					
Special revenue	625,213	-	-	-	625,213
Capital projects fund	-	481,758	-	-	481,758
Permanent Fund	-	-	-	257,998	257,998
<b>Total cash basis fund balances</b>	<b>\$ 625,213</b>	<b>481,758</b>	<b>10,915</b>	<b>257,998</b>	<b>1,375,884</b>

See accompanying independent auditor's report

City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds-Special Revenue

As of and for the year ended June 30, 2010

	#50 Flex Spending	#51 Co Emer Mgmt	#52 2008 Lein	#53 Lein3-03	#54 Police Remodel	#55 IRP Revolving	#56 Downtown TIF	#57 Motel/ Hotel Tax
<b>Receipts:</b>								
Property tax	\$ -	12,883	-	-	-	-	-	51,454
Tax increemnt financing	-	-	-	-	-	-	5,042	-
Other city tax	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	10,118	-	347
Intergovernmental	-	-	3,567	312,672	-	-	-	-
Miscellaneous	29,428	-	-	-	-	55,669	-	-
<b>Total receipts</b>	<b>29,428</b>	<b>12,883</b>	<b>3,567</b>	<b>312,672</b>	<b>-</b>	<b>65,787</b>	<b>5,042</b>	<b>51,801</b>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	-	12,883	2,566	273,621	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Health & Social Service	26,342	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	40,704
Community and economic development	-	-	-	-	-	40,200	-	-
General government	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Enterprise	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>26,342</b>	<b>12,883</b>	<b>2,566</b>	<b>273,621</b>	<b>-</b>	<b>40,200</b>	<b>-</b>	<b>40,704</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>3,086</b>	<b>-</b>	<b>1,001</b>	<b>39,051</b>	<b>-</b>	<b>25,587</b>	<b>5,042</b>	<b>11,097</b>
<b>Other financing sources:</b>								
IRP Loan Proceeds	-	-	-	-	-	31,200	-	-
Operating transfers in	-	-	-	1,001	98,080	-	-	-
Operating transfers out	-	-	(1,001)	(36,760)	-	-	(5,042)	(25,000)
<b>Net change in cash balances</b>	<b>3,086</b>	<b>-</b>	<b>-</b>	<b>3,292</b>	<b>98,080</b>	<b>56,787</b>	<b>-</b>	<b>(13,903)</b>
<b>Cash balances beginning of year</b>	<b>4,213</b>	<b>-</b>	<b>-</b>	<b>1,137</b>	<b>-</b>	<b>89,334</b>	<b>-</b>	<b>35,299</b>
<b>Cash balances end of year</b>	<b>\$ 7,299</b>	<b>-</b>	<b>-</b>	<b>4,429</b>	<b>98,080</b>	<b>146,121</b>	<b>-</b>	<b>21,396</b>
<b>Cash Basis Fund Balances</b>								
<b>Reserved:</b>								
Special revenue funds	\$ -	-	-	-	-	146,121	-	-
<b>Unreserved:</b>								
Special revenue funds	7,299	-	-	4,429	98,080	-	-	21,396
<b>Total cash basis fund balances</b>	<b>\$ 7,299</b>	<b>-</b>	<b>-</b>	<b>4,429</b>	<b>98,080</b>	<b>146,121</b>	<b>-</b>	<b>21,396</b>

See accompanying independent auditor's report



#58	#59	#68	#69	#92	#94	#95	#96	#99	
DARE	Sales Tax	Municipal Trust	I-Jobs	Industrial Park TIF	Emergency	Bertch TIF	James Dev TIF	Forfitted Assets	Total
-	-	-	-	-	30,090	-	-	-	94,427
-	-	-	-	61,453	-	29,581	53,000	-	149,076
-	504,753	-	-	-	-	-	-	-	504,753
130	2,589	3,356	-	137	-	103	46	70	16,896
-	-	-	29,229	-	-	-	-	-	345,468
1,000	-	-	-	-	-	-	-	10,253	96,350
1,130	507,342	3,356	29,229	61,590	30,090	29,684	53,046	10,323	1,206,970
4,219	-	-	-	-	-	-	-	14,094	307,383
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	26,342
-	-	-	-	-	-	-	-	-	40,704
-	-	-	-	-	-	-	-	-	40,200
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	29,980	43,399	-	73,379
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
4,219	-	-	-	-	-	29,980	43,399	14,094	488,008
(3,089)	507,342	3,356	29,229	61,590	30,090	(296)	9,647	(3,771)	718,962
-	-	-	-	-	-	-	-	-	31,200
-	-	29,880	-	-	-	-	-	-	128,961
-	(507,342)	(100,000)	-	(61,590)	(30,090)	(84)	(9,647)	-	(776,556)
(3,089)	-	(66,764)	29,229	-	-	(380)	-	(3,771)	102,567
13,939	3,257	365,705	-	-	-	380	-	9,382	522,646
10,850	3,257	298,941	29,229	-	-	-	-	5,611	625,213
-	-	-	-	-	-	-	-	-	146,121
10,850	3,257	298,941	29,229	-	-	-	-	5,611	479,092
10,850	3,257	298,941	29,229	-	-	-	-	5,611	625,213

City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2010

	#73 Capital Equipment	#78 Housing Grant	#79 Airport Grants	#81 Sewer Mn Construciton	#82 Downtown Betterment
Receipts:					
Tax increment financing	\$ -	-	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	846	-	-	4,008	-
Intergovernmental	-	50,875	32,326	-	-
Charges for Services	-	-	-	-	-
Miscellaneous	-	156	-	688	1,000
Total receipts	846	51,031	32,326	4,696	1,000
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	12,560	44,360	42,853	-	-
Enterprise	-	-	-	536,896	-
Total disbursements	12,560	44,360	42,853	536,896	-
Excess (deficiency) of receipts over (under) disbursements	(11,714)	6,671	(10,527)	(532,200)	1,000
Other financing sources:					
Bond Proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(9,601)	-	-	-
Net change in cash balances	(11,714)	(2,930)	(10,527)	(532,200)	1,000
Cash balances beginning of year	69,832	2,930	(2,289)	702,457	-
Cash balances end of year	\$ 58,118	-	(12,816)	170,257	1,000
Cash Basis Fund Balances					
Unreserved:					
Capital projects fund	\$ 58,118	-	(12,816)	170,257	1,000

See accompanying independent auditor's report

SCHEDULE 3

#85-2009- Bond Sale	#86 Trails- Platts/Wings	#87 2005 Bonds	#88 Neighborhood Stabilization	#89 Library Bond	#93 Pave 7th St	#97 2nd St Curb/Gutter	Total
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,768	798	997	-	854	717	2,003	12,991
-	148,880	-	14,700	-	178,600	-	425,381
-	-	-	-	-	-	-	-
-	1,900	-	-	156,935	-	-	160,679
2,768	151,578	997	14,700	157,789	179,317	2,003	599,051
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	110,305	-	-	-	110,305
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
93,824	211,577	-	20,886	178,880	341,019	-	767,079
-	-	-	-	-	-	-	536,896
93,824	211,577	-	131,191	178,880	341,019	-	1,593,160
(91,056)	(59,999)	997	(116,491)	(21,091)	(161,702)	2,003	(994,109)
-	-	-	-	-	-	-	-
-	-	100,000	-	-	175,000	150,000	425,000
(425,000)	-	-	-	-	-	-	(434,601)
(516,056)	(59,999)	100,997	(116,491)	(21,091)	13,298	152,003	(1,003,710)
604,453	99,911	-	-	(7,964)	16,138	-	1,485,468
88,397	39,912	100,997	(116,491)	(29,055)	29,436	152,003	481,758
88,397	39,912	100,997	(116,491)	(29,055)	29,436	152,003	481,758

City of Oelwein

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2010

	#62 Water Improvement	#70 Landfill	#71 Recycling
Receipts:			
Intergovernmental	\$ 7,674	-	-
Charges for services	-	217,998	82,353
Miscellaneous	-	-	-
Total receipts	7,674	217,998	82,353
Disbursements:			
Operating:			
Culture & Recreation	-	-	-
Enterprise	168,521	220,098	83,465
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total disbursements	168,521	220,098	83,465
Excess (deficiency) of receipts over (under) disbursements	(160,847)	(2,100)	(1,112)
Other financing sources:			
Use of money and property	-	119	39
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Net change in cash balances	(160,847)	(1,981)	(1,073)
Cash balances beginning of year	(3,684)	12,166	9,283
Cash balances end of year	\$ (164,531)	10,185	8,210
<b>Cash Basis Fund Balances</b>			
Reserved	\$ -	-	-
Unreserved	(164,531)	10,185	8,210
Total cash basis fund balances	\$ (164,531)	10,185	8,210

See accompanying independent auditor's report

#72 Williams Center	#77 Wastewater Improvement	#76 Customer Deposits- Water	#84 Fuel	#98 Williams Center Reserve	Total
-	-	-	-	-	7,674
104,942	-	-	90,040	-	495,333
-	-	24,145	4,592	-	28,737
104,942	-	24,145	94,632	-	531,744
-	-	-	-	-	-
174,392	3,769	21,071	98,610	648	770,574
-	-	-	-	-	-
-	-	-	-	-	-
174,392	3,769	21,071	98,610	648	770,574
(69,450)	(3,769)	3,074	(3,978)	(648)	(238,830)
450	484	1,999	-	86	3,177
69,000	-	-	-	2,044	71,044
-	-	-	-	-	-
-	(3,285)	5,073	(3,978)	1,482	(164,609)
-	40,096	64,050	5,006	10,988	137,905
-	36,811	69,123	1,028	12,470	(26,704)
-	36,811	-	-	12,470	49,281
-	-	69,123	1,028	-	(75,985)
-	36,811	69,123	1,028	12,470	(26,704)

## CITY OF OELWEIN

STATEMENT OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation corporate purpose and refunding notes	5-28-03	7.00%	\$ 1,025,000
General obligation corporate purpose and refunding notes Series 2005A	11-30-05	3.1-4.35%	3,995,000
General obligation corporate purpose bonds, Series 2009	5-1-09	1.25-4.0%	1,190,000
General Obligation corporate purpose and refunding bonds, Series 2010A	4-15-2010	2.0-3.0%	620,000
Revenue notes:			
Sewer revenue bonds, series 2005 State Revolving Funds (Fd # 90)	5-23-05	3.00%	8,954,000
Urban renewal tax increment financing (TIF) revenue bond Regions Bank of Oelwein, IA Bertch TIF (Fd # 95)	12-23-98	6.61%	221,000
			<u>Amount Available</u>
Revolving Line of Credit with Fidelity Bank of Oelwein, IA Donaldson Building	1-9-04	Variable 5.25% tied to Prime, Floor 5.25% Due 1/10/2013	600,000
Note with Fidelity Bank of Oelwein, IA-Library Loan-Fd #89	5-18-06	4.00%	700,000
U.S. Department of Agriculture Intermediary Relending Program		1.00%	500,000

see accompanying independent auditor's report

SCHEDULE 5

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
610,000	-	610,000	-	22,995	-
3,290,000	-	335,000	2,955,000	132,068	-
1,190,000	-	20,000	1,170,000	41,058	-
-	620,000	-	620,000	-	-
<u>\$ 5,090,000</u>	<u>620,000</u>	<u>965,000</u>	<u>4,745,000</u>	<u>196,121</u>	<u>-</u>
<u>\$ 7,919,000</u>	<u>-</u>	<u>364,000</u>	<u>7,555,000</u>	<u>237,570</u>	<u>-</u>
<u>\$ 28,638</u>	<u>-</u>	<u>28,638</u>	<u>-</u>	<u>1,343</u>	<u>-</u>
<u>\$ 110,191</u>	<u>-</u>	<u>25,680</u>	<u>84,511</u>	<u>7,988</u>	<u>-</u>
<u>\$ 172,000</u>	<u>-</u>	<u>172,000</u>	<u>-</u>	<u>6,880</u>	<u>-</u>
<u>\$ 295,600</u>	<u>31,200</u>	<u>-</u>	<u>326,800</u>	<u>3,078</u>	<u>-</u>

## CITY OF OELWEIN

## BOND MATURITIES AND NOTES

June 30, 2010

General Obligation Corporate Purpose and Refunding Note			General Obligation Corporate Purpose Series 2009		General Obligation Corporate Purpose and Refunding	
Issued	November 30, 2005		Issued May 1, 2009		Issued April 15, 2010	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.60%	\$ 170,000	1.50%	45,000	2.00%	135,000
2012	3.70%	180,000	-	-	2.00%	120,000
2013	3.80%	235,000	2.00%	95,000	2.00%	120,000
2014	3.90%	165,000	-	-	3.00%	200,000
2015	4.00%	385,000	2.50%	115,000	3.00%	45,000
2016	4.10%	395,000	3.00%	140,000		
2017	4.15%	455,000	3.20%	145,000		
2018	4.25%	475,000	3.40%	150,000		
2019	4.35%	495,000	3.60%	155,000		
2020			3.80%	160,000		
2021			4.00%	165,000		
		<u>\$ 2,955,000</u>		<u>1,170,000</u>		<u>620,000</u>

Revenue Notes  
Sewer Revenue Bond

Issued May 23, 2005

	Interest Rates	Amount
2011	3.00%	375,000
2012	3.00%	386,000
2013	3.00%	398,000
2014	3.00%	410,000
2015	3.00%	422,000
2016	3.00%	435,000
2017	3.00%	448,000
2018	3.00%	461,000
2019	3.00%	475,000
2020	3.00%	490,000
2021	3.00%	504,000
2022	3.00%	519,000
2023	3.00%	535,000
2024	3.00%	551,000
2025	3.00%	567,000
2026	3.00%	579,000
		<u>7,555,000</u>

See accompanying independent auditor's report



## City of Oelwein

Schedule of Receipts by Source and Disbursements by Function  
 All Governmental Funds  
 For the Last Six Years—Years Ended June 30

	2010	2009	2008	2007	2006	2005
<b>Receipts:</b>						
Property tax	\$ 1,924,356	1,848,092	1,812,366	1,828,186	1,746,846	1,653,158
Tax increment financing	152,164	150,020	136,547	138,099	161,607	155,521
Other city tax	504,753	531,325	474,004	508,516	399,905	394,643
Licenses and permits	82,745	77,139	72,053	73,689	67,977	61,375
Use of money and property	182,723	137,646	271,087	199,268	184,814	104,457
Intergovernmental	1,451,034	1,438,224	1,191,561	1,698,867	1,743,440	1,375,291
Charges for service	157,251	132,138	145,868	157,803	144,706	407,599
Special assessments	125,985	186,564	131,537	37,166	41,252	45,058
Miscellaneous	416,260	508,329	395,268	576,110	397,606	341,271
<b>Total</b>	<u>\$ 4,997,271</u>	<u>5,009,477</u>	<u>4,630,291</u>	<u>5,217,704</u>	<u>4,888,153</u>	<u>4,538,373</u>
<b>Disbursements:</b>						
Operating:						
Public safety	\$ 1,612,823	1,470,636	1,506,802	1,508,523	1,649,099	1,952,294
Public works	699,846	654,838	641,866	545,938	525,040	531,129
Health and social services	26,342	22,210	19,092	14,927	10,929	-
Culture and recreation	709,608	664,204	673,792	595,684	536,794	495,819
Community and economic development	537,523	743,863	673,493	387,696	207,295	155,908
General government	327,414	346,965	250,274	248,696	283,983	224,816
Debt service	1,415,055	741,453	754,716	1,637,853	375,937	261,230
Capital projects	807,293	762,187	1,001,904	3,334,784	4,373,910	2,056,814
Enterprise	536,959	15,941	53	-	-	-
<b>Total</b>	<u>\$ 6,672,863</u>	<u>5,422,297</u>	<u>5,521,992</u>	<u>8,274,101</u>	<u>7,962,987</u>	<u>5,678,010</u>

See accompanying independent auditor's report

City of Oelwein  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass- through Number</u>	<u>Program Expenditures</u>
<b><u>Direct:</u></b>			
<b><u>U.S. Department of Justice</u></b>			
Edward Byrne Memorial Justice	16.804	2009-SB-B9-0236	\$ 12,817
Assistance Grant-Recovery Act JAG Program			
<b><u>Indirect:</u></b>			
<b><u>Department of Homeland Security</u></b>			
Iowa Department of Public Defense			
LETPP Fusion Center-Fund #53	97.067	2007-LETPP-LEIN3-03	3,567
Initial Strategy Implementation Plan	97.067	2008-IO-T8-0049	312,672
<b><u>U.S. Department of Justice</u></b>			
Iowa Department of Justice			
DASART-Stop Violence Against Women	16.588	VW-10-63C	3,003
<b><u>U.S. Department of Transportation</u></b>			
Iowa Department of Public Safety			
Alcohol Incentive Grant 09-410	20.601	PAP 10-410, Task 56	19,353
Airport Improvement Program	20.106	3-19-0067-03	32,326
Iowa Department of Transportation			
Trails-Platts to Wings-Fund # 86	20.250	Proj#STP-E-5657(610) Agree#09-STPE-119	148,880
Surface Transportation Program	20.205	STP-U-5657-70-33	178,600
Pave 7th Street-Fund #93			
<b><u>Department of Housing and Urban Development</u></b>			
Iowa Department of Economic Development			
Community Development Block Grant	14.228	05-HSG-063	50,875
Housing Contract			
Community Development Block Grant	14.228	09-WS-044	7,674
Water System Improvement			
Community Development Block Grant	14.228	08-NSP-013	14,700
Neighborhood Stabilization			
<b><u>U.S. Department of Agriculture</u></b>			
Intermediary Relending Program	10.767		31,200
Total			<u>\$ 815,667</u>

**Basis of Presentation-**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oelwen and is presented in conformity With an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations.** Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

See accompanying independent auditor's report

James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 3, 2010. Our report expressed unqualified opinions on the financial statements which are prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oelwein's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Oelwein's internal control over financial reporting. Accordingly, we do not express any opinion on the effectiveness of Oelwein's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Oelwein's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We found no items we determined to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We should like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oelwein during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTS

December 3, 2010

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

James R. Ridihalgh, C.P.A.  
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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
In Accordance with OMB Circular A-133

To the Honorable Mayor and  
Member of the City Council:

Compliance

We have audited the compliance of the City of Oelwein, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2010. The City of Oelwein's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs are the responsibility of the City of Oelwein's management. Our responsibility is to express an opinion on the City of Oelwein's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Oelwein's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Oelwein's compliance with those requirements.

In our opinion, the City of Oelwein complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Oelwein is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of

Oelwein's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Oelwein's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected on a timely basis.

Oelwein's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Oelwein's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the formation and use of the officials, employees and citizens of the City of Oelwein and other parties to whom the City of Oelwein may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.*

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

December 3, 2010

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2010

Part I - Summary of the Independent Auditor's Results

- a.) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b.) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c.) The audit did not disclose any non-compliance which is material to the financial statements.
- d.) No reportable condition in internal control over the major program was disclosed by the audit of the financial statements.
- e.) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f.) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- g.) The major program was CFDA Number 97.067
- h.) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i.) The City of Oelwein qualified as a low-risk auditee.

Part II - Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-10 Segregation of Duties-One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation-We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response-We will consider this.

Conclusion- Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.



CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2010

II-B-10      Transfers from Lein -The City failed to make transfers for MFPRSI, side fund insurance and for administration expenses from the Lein Grant Fund to reimburse Employee Benefits Fund for employee retirement contribution and side fund insurance and the General Fund for administration expenses allowed under the Lein grant for the period .During the year ended June 30, 2008 the City should have transferred \$750 to the Employee Benefit Fund. For the year ended June 30, 2009 \$10,487 should have been transferred to the Employee Benefit Fund and \$7,800 to the General Fund. For the fiscal year ended June 30, 2010 \$11,226 should have been transferred to the Employee Benefit Fund and \$6,467 to the General Fund. The result of this is that at June 30, 2010 the Lein Grant Fund was overstated \$36,760, and the Employee Benefits Fund was understated by \$22,493 and the General Fund was understated by \$14,267. The audit report has been corrected to reflect these misstatements.

Recommendation-The City should make the transfers to correct this failure and correct these misstatements.

Response-The City will make the necessary transfer to correct these misstatements. The City will also be diligent in reconciling these funds in the future.

Conclusion-Response accepted.

II-C-10      Accounting Staff Technical Expertise-The City of Oelwein, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America to comply with the State's requirements or to comply with GASB 34 and therefore, it relies on its auditors to prepare such statements.

Response-Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion-Response accepted.

Instances of non-compliance:

No matters were noted.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2010

Part III – Findings and Questioned Cost for Federal Awards:

Instances of non-compliance:

No matters were noted.

Reportable Conditions:

None

Part IV – Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget--Disbursements during the year ended June 30, 2010 exceeded budgeted in the Debit Service program. Chapter 384.20 of the code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements--No expenditures were noted for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-10 Travel Expenses--No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions--No business transactions between the City and City officials or employees were noted.

IV-E-10 Bond Coverage--Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

IV-F-10 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2010

- IV-G-10 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-H-10 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2010, the investments resulted in interest income of \$56,524.
- IV-I-10 Financial Condition--At June 30, 2010 the City had a deficit balance in the Airport Grants fund, the Library Bond fund, and the Water Improvement fund which the City considers temporary in nature.
- IV-J-10 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2010.
- IV-K-10 Revenue Bonds and Notes --No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA, Manager  
Al Flick, CPA, Assistant Auditor  
Jeremy Lockard, Staff